



Advising the Congress on Medicare issues

Skilled nursing facilities: Assessing payment adequacy, pay-for-performance, and improved quality measures

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Payment adequacy indicators are generally positive

- Beneficiary access remains good
- Supply is stable
- Volume per fee-for-service enrollee increased
- Mixed quality results for SNFs
- Reflecting broad lending trends, access to capital will be tighter over coming year

Freestanding SNF Medicare margins

| SNF group | Share of SNFs | 2006 margin |
|------------------------|----------------------|--------------------|
| All | 100% | 13.1% |
| Top margin quartile | 25 | 23.3 |
| Bottom margin quartile | 25 | 4.0 |
| For profit | 73 | 16.0 |
| Nonprofit | 24 | 3.1 |
| Urban | 69 | 12.7 |
| Rural | 31 | 14.5 |

Projected 2008 aggregate Medicare margin = 11.4 %

Good pay-for-performance measures for SNFs are available

- Measures :
 - Rates of community discharge
 - Rates of potentially avoidable rehospitalizations
- Meet MedPAC criteria
 - Evidence based and accepted
 - Sufficient risk adjustment
 - Do not require new data
 - Most providers can improve
- Complements other policies to lower hospital readmissions

Evaluation found robust risk adjustment and stable measures for SNFs with low case counts

- Robust risk adjustment method
 - Adjusts for likelihood of not being discharged to community
 - Models explain large share of variation across facilities
- Most SNFs have enough stays (25 cases) for stable measures

Consider adding other indicators to the two-measure starter set

- When patients are assessed at discharge, add other measures such as:
 - Improved physical functioning
 - Pain management

Improving the publicly reported SNF quality measures

- Current Nursing Home Compare measures
 - Delirium
 - Pain
 - Pressure sores
 - Flu vaccination rates, and
 - Pneumonia vaccination rates
- Alternative quality measures:
 - Community discharge rate
 - Potentially avoidable rehospitalization rate

Problems with the MDS-based quality measures

- Do not reflect key goals for SNF patients
- Systematic bias in the measures
- Measures can include care furnished in preceding hospital stay
- Differences in scores can reflect when assessments conducted, not differences in patients
- Problematic definitions for pain, pressure ulcer, and delirium measures